

Message Text

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ACTION PM-04

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R 040330Z DEC 76

FM AMEMBASSY MUSCAT

TO USCINCEUR VAIHINGEN GERMAN

INFO SECSTATE WASHDC 2710

LIMITED OFFICIAL USE SECTION 1 OF 2 MUSCAT 1490

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SUBJECT: MILITARY SECURITY ASSISTANCE PROJECTION, FY 1979-83

REF: (A) USCINCEUR VAIHINGEN GER 311325Z AUG 76 (B) USCINCEUR
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1. OUR CONTRIBUTION TO MSAP UPDATE IS REPORTED BELOW. U.S.
MILITARY ASSISTANCE IN OMAN CONSISTS SOLELY OF MODEST FMS PROGRAM.
RELIABLE STATISTICS ARE NOT EASY TO COME BY, BUT WE BELIEVE ALL
SUBJECTS REQUIRED TO BE DISCUSSED ARE COVERED. FORMAT KEYED TO
PARA 3 REF (A).

I. STRATEGIC IMPORTANCE

2. OMAN'S SIGNIFICANCE IS MAINLY GEOGRAPHIC, STEMMING FROM ITS
LOCATION CONTROLLING JOINTLY WITH IRAN THE STRAITS OF HORMUZ AT
MOUTH OF PERSIAN GULF. ITS POSITION ON NORTHWEST LITTORAL OF
INDIAN OCEAN IS LIKEWISE IMPORTANT. OMAN HAS SIZEABLE BUT
NOT MAJOR OIL RESERVES AND IS PETROLEUM EXPORTER OF SOME SIGNIFICANCE.

KEEPING THIS ENERGY RESOURCE FLOWING TO FRIENDLY
MARKETS WITHOUT POLITICAL OR OTHER HINDRANCE IS GREATLY IN
US INTEREST. FINALLY, HAVING FOUGHT SUCCESSFULLY (WITH
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BRITISH, IRANIAN, JORDANIAN, AND OTHER HELP) AN INSURGENCY

BACKED FROM OUTSIDE BY COMMUNIST STATES, OMAN MERITS CONTINUING ATTENTION TO ENSURE THIS SUCCESS IS NOT ERODED BY ANY FUTURE MOVES OF STILL-EXISTING INSURGENT LEADERSHIP.

II. US SECURITY ASSISTANCE OBJECTIVES

3. OMAN ALREADY HAS FUNCTIONING ARMED FORCE BASED ON BRITISH TUTELAGE AND, LARGELY, BRITISH EQUIPMENT. OUR SECURITY ASSISTANCE PROGRAM HAS AIMED AT PROVIDING INPUT WHERE US TECHNOLOGY OR COMPETENCE IS RECOGNIZED AS FILLING A GAP OR MAKING SPECIAL CONTRIBUTION. PROGRAM IS OMANI-FUNDED RATHER THAN US-FUNDED, BECAUSE FINANCIAL RESOURCES OF OMAN HAVE SO FAR BEEN SUFFICIENT TO PAY FOR AN ADEQUATE DEFENSE PROGRAM.

III. THREAT

4. FOR SOME YEARS NOW, INTERNAL AND EXTERNAL THREATS TO OMAN HAVE BEEN COMBINED INTO SINGLE INTERNAL SUBVERSION EFFORT BACKED FROM MARXIST REGIM IN ADEN. OMAN ARMED FORCES QUELLED THIS INSURGENCY IN DHOFAR PROVINCE AT END OF 1975, AND 1976 HAS BEEN QUIESCENT. HOWEVER, ADEN STILL ISSUES ANTI-OMAN PROPAGANDA, AND SOME LEADERS OF THE SUBVERSIVE ORGANIZATION (POPULAR FRONT FOR LIBERATION OF OMAN, OR PFLO) REMAIN AT LARGE. SHIFT TO TERRORIST TACTICS OR OTHER METHODS OF HARRASSMENT IS CONCEIVABLE. WE SHARE THIS OMANI CONCERN, ALTHOUGH STRATEGY THAT PFLO WILL FOLLOW IN THE COMING PERIOD IS NOT YET DISCERNIBLE.

IV. CAPABILITIES AND LIMITATIONS

5. OMAN'S ARMED FORCES HAVE PROVED ABLE TO PLAN AND IMPLEMENT MAJOR MILITARY CAMPAIGN. THEIR MORALE IS HIGH FOLLOWING SUCCESS OF THEIR EFFORTS, AND THEY REMAIN VIGILANT. HOWEVER, MUCH OF CREDIT IS OWED TO BRITISH OFFICERS WHO HAVE COMMANDED THE FORCES AND USUALLY LED THEM IN THE FIELD. THESE OFFICERS HAVE BEEN BOTH SERVING BRITISH OFFICERS AND RETIRED BRITISH PERSONNEL CONTRACTED TO OMAN ARMED FORCES.

6. BRITAIN HAS REACHED AGREEMENT WITH OMAN GOVERNMENT OF LIMITED OFFICIAL USE

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WITHDRAW ITS REGULAR FORCES FROM COUNTRY AT END OF MARCH 1977. SUBSTANTIAL NUMBER OF BRITISH PERSONNEL WILL CERTAINLY REMAIN AT VARIOUS LEVELS AFTER THAT DATE. HOWEVER, COMMAND STRUCTURE WILL START TO PASS TO OMANI OFFICERS AT THAT TIME AND WILL BE FULLY UNDER OMANI COMMAND SOMETIME AFTER 1980. THIS MAY LOWER CAPABILITY OF ALL THREE SERVICES (ARMY, NAVY, AIR FORCE) AT LEAST DURING TRANSITION PERIOD. NAVY AND AIR FORCE WILL PROBABLY BE HIT HARDEST IN THIS RESPECT.

V. RECOMMENDED SECURITY ASSISTANCE PROGRAM

7. IN ABSENCE OF MAJOR DEPARTURE NOT NOW ANTICIPATED IN US MILITARY POLICY TOWARD OMAN AND NORTHWEST INDIAN OCEAN REGION, WE RECOMMEND THAT OUR POSTURE ON MILITARY ASSISTANCE REMAIN LIMITED AS IT HAS BEEN UP TO NOW. WE SHOULD GIVE SYMPATHETIC BUT CLOSE EXAMINATION TO EACH SPECIFIC REQUEST FROM OMAN GOVERNMENT, GENERALLY ON OMAN-FUNDED BASIS. WE SHOULD TRY TO FILL GAPS RATHER THAN ASSUME ROLE OF MAJOR SUPPLIER. AS BRITISH WITHDRAW, SUCH GAPS MAY BECOME MORE NUMEROUS, BUT WE EXPECT BRITISH SALES AND TRAINING WILL CONTINUE TO TAKE UP MAJOR SLICE OF OMAN MILITARY PROCUREMENT.

VI. EXISTING SECURITY ASSISTANCE

8. THE MAJOR FMS CASE ON RECORD IS SUPPLY OF A TOW MISSILE PACKAGE INCLUDING 180 ATTACK MISSILES (CASE UAB), A TRANSACTION CONSUMMATED IN SEPTEMBER 1976 WITH PAYMENT BY OMAN MINISTRY OF DEFENSE OF \$1,552,195.25. OTHER RELATIVELY MINOR FMS CASES ARE PENDING IN VARIOUS STAGES. SEVERAL NEW REQUESTS FOR ITEMS OF EQUIPMENT, NONE MAJOR, WERE RECENTLY RECEIVED FROM MINISTRY OF DEFENSE AND HAVE BEEN FORWARDED TO DOD WASHINGTON. RESUPPLY OF TOW MISSILES WILL PROBABLY BECOME AN ISSUE EARLY IN THIS PROJECTION PERIOD, AS SHELF LIFE OF CURRENT STOCK NEARS ITS END.

VII. AND VIII. ECONOMIC INDICATORS AND RESOURCE UTILIZATION

9. FIGURES PUBLISHED AS PART OF OMAN'S FIVE-YEAR DEVELOPMENT PLAN (1976-1980), WHICH WE CONSIDER TO BE AS RELIABLE AS ANY AVAILABLE, INCLUDE FOLLOWING MAJOR INDICATORS (ONE OMANI RIAL EQUALS \$2.92):

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A. GROSS DOMESTIC PRODUCT, 1976: R.O. 758 MILLION

B. GROSS NATIONAL PRODUCT, 1976: R.O. 618 MILLION

C. GDP BY SECTOR, 1976:

(1) GDP (FIGURES IN THIS AND SUBSEQUENT TABLES GIVEN IN MILLIONS OF OMANI RIALS UNLESS OTHERWISE STATED)

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R 040330Z DEC 76

FM AMEMBASSY MUSCAT

TO USCINCEUR VAIHINGEN GERMANY

INFO SECSTATE WASHDC 2711

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(A) AGRICULTURE AND FISHERIES	18	
(B) PETROLEUM AND MINING	505	
(C) MANUFACTURING	3	
(D) BUILDING AND CONSTRUCTION	76	
(E) TRANSPORTATION AND COMMUNICATION		25
(F) ELECTRICITY AND WATER	5	
(G) INTERNAL TRADE	28	
(H) BANKING	10	
(I) OWNERSHIP OF DWELLING	12	
(J) PUBLIC ADMINISTRATION AND DEFENSE		61
(K) SERVICES AND OTHER	15	
(I) TOTAL GDP AT MARKET PRICES	758	
(2) NET REMITTANCES ABROAD	135	
(3) GNP AT MARKET PRICES	623	
(4) NET INDIRECT TAXES	5	
(5) GNP AT FACTOR COST	618	

D. ESTIMATES OF RESOURCES AND USES OF GDP, 1976:

(1) CONSUMPTION

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(A) PRIVATE 69

(B) GOVERNMENT	315
(C) TOTAL CONSUMPTION	384

(2) INVESTMENT

(A) PRIVATE	58
(B) GOVERNMENT	256
(C) TOTAL INVESTMENT	314

(3) NET OF EXPORTS AND IMPORTS, GOODS AND SERVICES

(A) EXPORTS	526
(B) IMPORTS	466
(C) NET EXPORTS	60

(4) GDP AT MARKET PRICES (1C PLUS 2C PLUS 3C)

E. GOVERNMENT RESOURCES AND USES, 1976:

(1) RESOURCES

(A) OIL REVENUE	470
(B) OTHER REVENUE	25
(C) LOANS AND GRANTS	155
(D) TOTAL RESOURCES	650

(2) USES

(A) NATIONAL SECURITY	275
(B) CIVIL CURRENT EXPENDITURE	103
(C) GOV. CONTRIBUTION TO OIL COMPANY CURRENT EXPENDITURE	12
(D) CIVIL CAPITAL PROJECTS	192
(E) JOINT INVESTMENT PROJECTS WITH PRIVATE SECTOR	6
(F) GOV CONTRIBUTION TO OIL COMPANY CAPITAL INVESTMENT	18
(G) REPAYMENT OF LOANS AND INTEREST	44
(H) TOTAL USES	650

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(E) NOTE: ITEM 2A ABOVE (NATIONAL SECURITY) INCLUDES CONSTRUCTION OF A CIVIL NATURE ESTIMATED AT R.O. 40 MILLION.

F. BALANCE OF PAYMENTS ESTIMATES, 1976:

(1) GOODS AND SERVICES

(A) EXPORTS	526
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(B) IMPORTS	466	
(C) NET SURPLUS	60	
(2) NET REMITTANCES ABROAD		135
(3) CURRENT DEFICIT	75	
(4) CAPITAL TRANSACTIONS		
(A) GRANTS AND LOANS	155	
(B) REPAYMENT OF LOANS	44	
(C) NET CAPITAL TRANSACTIONS		111
(5) TOTAL SURPLUS	36	

G. MAIN INDICATORS OF 1976-1980 PLAN (AT 1976 CONSTANT PRICES):

(1) TOTAL INVESTMENT	1,356	
(2) TOTAL CONSUMPTION	1,968	
(3) TOTAL IMPORTS	1,969	
(4) TOTAL EXPORTS	2,523	
(5) TOTAL GOVERNMENT OIL REVENUES	2,236	
(6) TOTAL GOVERNMENT BORROWING REQUIREMENTS		404
(7) TOTAL GOVERNMENT DEBT REPAYMENTS	241	
(8) NET GOVERNMENT BORROWING	163	
(9) AVERAGE ANNUAL GROWTH IN GNP IN REAL TERMS	3 PERCENT	

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